

The Banc of America
California Community Venture Funds

Tools to Revitalize California Communities:
Los Angeles Koreatown Roundtable Forum

Carolyn Choi
Vice President
March 26, 2004

Table of Contents

- Introduction and Overview
- The Underserved Market Opportunity
- Investment Criteria
- Funds and Companies of Interest

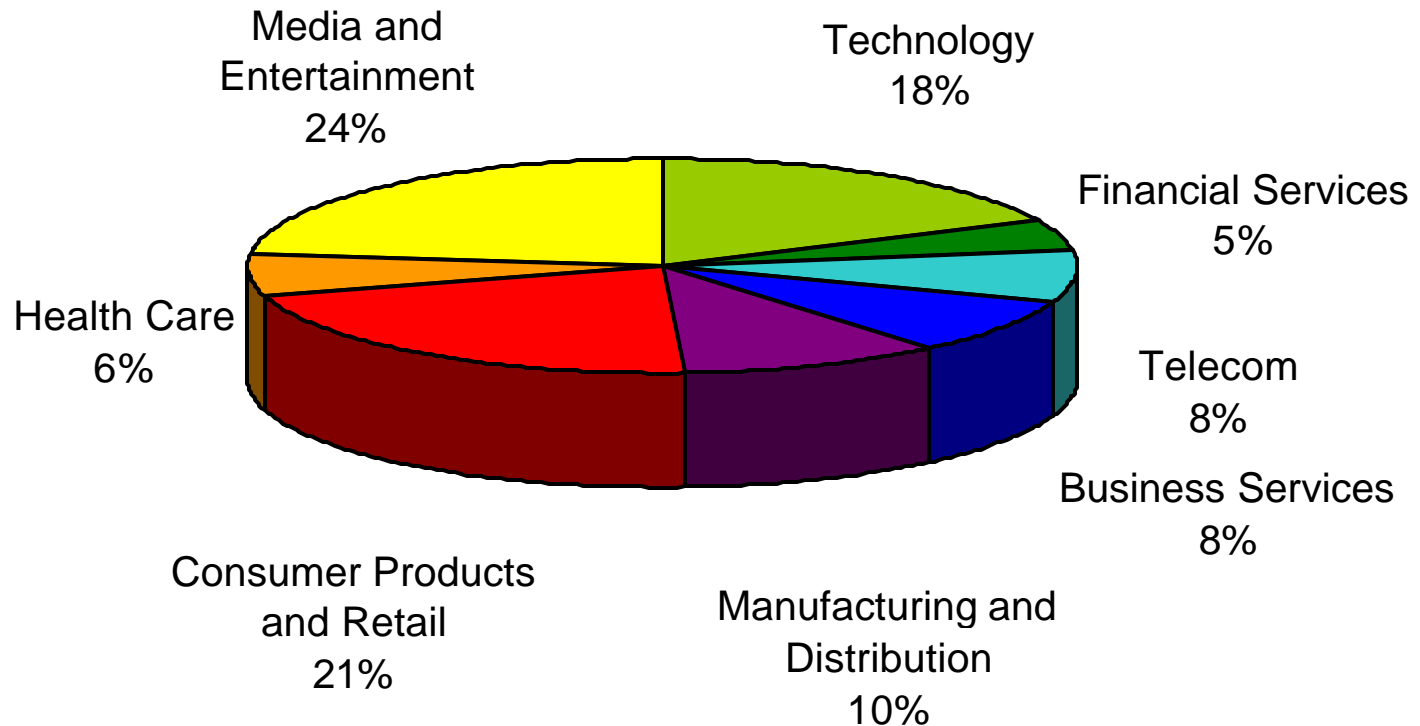
Introduction

- The Banc of America California Community Venture Funds ("BACCVF") make investments in private equity funds focused on California's underserved markets across a broad range of industries.
- Investment team includes five professionals in San Francisco, St. Louis, Chicago and Washington, D.C. investing out of a \$195 million fund of funds.
- With investors including Bank of America, the California Public Employees' Retirement System, and the California State Teachers' Retirement System, we strive to create profitable, long-term partnerships by investing in strong management teams and their underlying portfolio companies.
- Bank of America is a national leader in investing in underserved markets, including investments in funds targeting women- or ethnic minority owned, -managed, or -targeted companies and/or located in urban, rural, and low- and moderate- income areas.
- Banc of America Equity Partners, the primary provider of private capital for Bank of America, is one of the largest private equity investors in the banking industry.

CDVF Overview -- Investment History and Leadership

- Bank of America has been an investor in underserved markets since the early 1970s.
- Bank of America invested in the two oldest SBICs in the country focused on underserved markets.
- Currently managing capital for outside investors -- CalPERS, CalSTRS.
- Today, we are the largest bank investor in private equity funds focused on underserved markets.

CDVF Overview – Industry Diversification (consolidated)



The Underserved Market Opportunity

- Demographic change in California and other parts of the U.S.
 - Majority minority
 - Population breakdown among 33.9 million Californians
 - 32% Hispanic or Latino
 - 11% Asian
 - 6% Black or African American
 - 3% Two or more races
 - 1% American Indian and Alaska Native
 - <1% Native Hawaiian and Other Pacific Islander
 - Thus, 53% of population are ethnic minorities while the balance, 47%, is Caucasian
 - New emerging markets – rural and urban
 - Rural: Central Valley
 - Urban: Los Angeles, San Diego and San Francisco
 - “New” Urban: Chico, Fresno, Sacramento, etc.
- Low- to middle-market buyout opportunities in fragmented markets
 - Industries
 - Consumer/retail
 - Manufacturing/distribution
 - Media/entertainment
 - Above industries more prevalent in underserved markets
 - Deal flow in our market shows it is very underserved
 - Definition of Middle Market buyout has shifted up in scale
 - Competition has increased in some parts of the Middle Market
 - In Southern California alone, there are approx. 18,000 businesses with annual revenues of less than \$50MM

The Underserved Market Opportunity

- Asian-American market
 - Nationally
 - Current population not as large (12.5 million), but heavy population growth (72%) in past decade and to come
 - Purchasing power growth accelerating (\$526 billion by 2008)
 - Increased management and ownership positions (especially in CA)
 - Advertising in Asian-American media proves effective and at a higher rate of return
 - Asian-language media outlets grew from 200 to 600 from 1990 to 2000
 - 35% of all Asians in the U.S. live in California
 - Internationally
 - Connection to Asian populations across the Pacific
 - Business development opportunities with Asian corporates
 - Outsourcing trends in manufacturing and services
 - Korean-Americans
 - Approximately 1 million Korean Americans in the U.S., 25% of whom are in Southern CA and generally come from highly educated backgrounds
 - Most entrepreneurial of all U.S. ethnic groups – 1 business for every 8 people
 - Control 11% of the nation's grocery stores, 25-30% of its dry cleaners
 - In Southern CA, own 45% of small groceries and 45% of one-hour photo stores
 - Currently underrepresented in more high-growth areas of the economy, but that is changing (e.g. entertainment, technology, transportation, electronics)

Investment Criteria

- Typical investment size of \$5 to \$15 million
- Solid management team with track record and/or potential
- Defined underserved market focus
 - Women or ethnic minority owned-, managed- and/or targeted-businesses
 - Companies located in or employing residents of low- and moderate-income areas
 - Companies located in urban or rural areas
 - Primary focus on California
- Participating in rapidly growing or consolidating markets, or leadership in a more mature market within the underserved market
- Common financial goals among investors, officers and shareholders
- Exit opportunity via M&A or IPO

Funds and Companies of Interest

- **Southern CA-based growth equity fund investing in ethnic businesses**

- Investment thesis: Rapidly growing ethnic populations are attractive targets for consumer products in search of growth.
- Local opportunities
 - Korean and Chinese language radio stations in major metro markets.
 - Diversified Korean language media company seeking funding for expansion of radio and print into additional geographic markets.

- **Southern CA-based structured equity (debt + equity) growth fund**

- Investment thesis: Companies in the lower end of the middle market need and want to retain significant ownership but need outside capital to grow and restructure its balance sheet.
- Local deal: Investment principal acquired a struggling, limited coverage AM radio station in the early '90s and subsequently changed the operations to allow for a group of Korean broadcasters to use the station, resulting in positive cash flow and a successful sale of the station to a consolidator.

- **Northern CA-based growth equity fund investing in financial services companies**

- Investment thesis: Financial services is a fundamental, dependable earnings business with lower than average investment risk due to a more diversified customer base and regulatory oversight.
- Local opportunities: Nine Korean-American banks in Southern CA --five trading on NASDAQ. Assets have doubled since 2000, to more than \$5 billion. Looking to expand their reach geographically and demographically to grow their businesses.